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TO RUEHC/SECSTATE WASHDC IMMEDIATE 8396  
INFO RUEHKK/ARAB ISRAELI COLLECTIVE PRIORITY  
RUEHBS/USEU BRUSSELS PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L JERUSALEM 001483

SIPDIS

SIPDIS

NEA FOR A/S WELCH; NEA/IPA FOR SHAMPAIN/BELGRADE; NSC FOR  
ABRAMS/WATERS; TREASURY FOR NUGENT/HIRSON/LOEFFLER/HARRIS;  
BRUSSELS FOR LERNER

E.O. 12958: DECL: 07/18/2017

TAGS: [EFIN](#) [EAID](#) [ENRG](#) [KWBG](#) [IS](#)

SUBJECT: UTILITY PAYMENTS INDIRECTLY SUBSIDIZING HAMAS IN  
GAZA

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d)

11. (C) Palestinian Authority (PA) Prime Minister Salam Fayyad told the Consul General July 17 that he no longer wants the European Union to fund utility payments through the Temporary International Mechanism (Window II) or the GOI to deduct utility payments from clearance revenues. Fayyad believes that both forms of payment subsidize Hamas, which has begun to collect consumer payments for these services in Gaza. Press reports on July 18 indicate that Hamas replaced the Fatah head of the Gaza Electricity Distribution Company (GEDCO), a PA agency, with an individual associated with Hamas. (Note: GEDCO distributes the electricity within Gaza and collects customer payments. End note.)

12. (C) Fayyad said that he had raised this matter with EC Commissioner Benita Ferrero-Waldner in a phone call on July 17 but requested USG help in pressing the Europeans to replace the Window II payments with transfers to the PA and the GOI to stop deductions. Fayyad said he would use the Gaza situation as a way to put West Bank mayors on notice that they need to collect the utility payments from their constituents and pass the funds to the PA. Instead, the municipalities have either been not collecting the payments or using the payments as municipality revenue since the Europeans, and before that the PA, have paid the bills. The IMF, since 2004, has cited this "net lending" problem as a major fiscal constraint on the PA.  
WALLES